

FY10 Proposed Budget

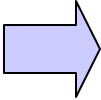
Board of Directors Budget Workshop

May 14, 2009



Metro

FY10 Budget Schedule

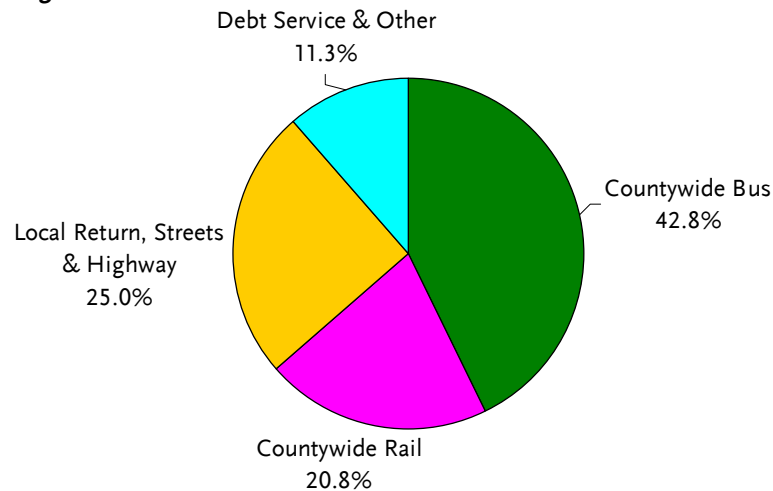
- **Tuesday, May 5th**
 - **Distribution of Proposed Budget to the Public**
- **Thursday, May 7th**
 - **Board Staff Briefing**
-  • **Thursday, May 14th**
 - **Budget Workshop for Board of Directors**
- **Wednesday, May 20th**
 - **Finance and Budget Committee Meeting - Public Hearing**
- **Thursday, May 28th**
 - **Board Meeting – Budget Adoption**

FY10 Proposed Expenditure by Program

(Dollars in Millions)	FY06 Actual		FY07 Actual		FY08 Actual		FY09 Budget		FY10 Proposed	
1 Countywide Bus										
2 Metro Bus Operating & Capital	\$1,018.5	39.8%	\$1,064.4	39.1%	\$1,069.3	38.5%	\$1,208.5	35.6%	\$1,368.3	35.0%
3 Muni & Paratransit	242.2	9.5%	280.9	10.3%	269.2	9.7%	345.9	10.2%	304.8	7.8%
4 Countywide Bus Subtotal	1,260.7	49.3%	1,345.3	49.4%	1,338.5	48.2%	1,554.4	45.7%	1,673.1	42.8%
5 Countywide Rail										
6 Metro Rail Operating, Capital & Construction	432.2	16.9%	489.1	17.9%	515.0	18.6%	727.0	21.4%	740.8	19.0%
7 Metrolink	45.5	1.8%	44.2	1.6%	46.5	1.7%	60.2	1.8%	70.8	1.8%
8 Countywide Rail Subtotal	477.6	18.7%	533.3	19.6%	561.5	20.2%	787.2	23.2%	811.6	20.8%
9 Local Return, Streets & Highway	479.9	18.8%	474.9	17.4%	491.9	17.7%	609.7	17.9%	976.8	25.0%
10 Debt Service ^(a) & Other	340.4	13.3%	371.5	13.6%	383.3	13.8%	447.4	13.2%	443.8	11.4%
11 Total Expenditures	\$2,558.7	100.0%	\$2,725.0	100.0%	\$2,775.2	100.0%	\$3,398.7	100.0%	\$3,905.3	100.0%

a) Includes principal liability payments and Benefit Assessment District debt payments, but excludes the following items included in the Debt Service schedule: 1) USG Building (General Revenue Bonds) debt service, 2) Capital Grant bond repaid from FTA grant with full funding agreement, and 3) defeased lease payments.

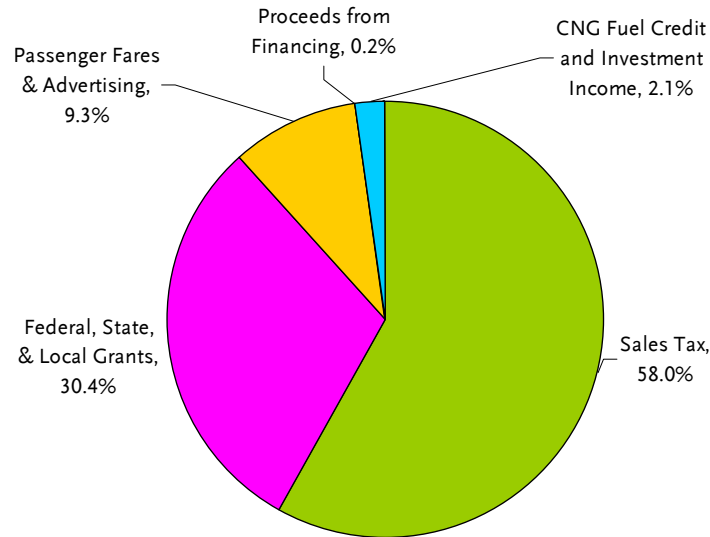
Note: Totals may not add due to rounding.



FY10 Proposed Funding Sources

(Dollars in Millions)		FY06 Actual		FY07 Actual		FY08 Actual		FY09 Budget		FY10 Proposed	
1	Sales Tax ⁽¹⁾	\$1,430.2	55.9%	\$1,763.8	64.7%	\$1,661.4	59.9%	\$2,174.9	64.0%	\$2,263.1	57.9%
2	Federal, State, & Local Grants	702.8	27.5%	509.7	18.7%	592.9	21.4%	748.1	22.0%	1188.6	30.4%
3	Passenger Fares & Advertising	297.8	11.6%	304.5	11.2%	350.2	12.6%	350.4	10.3%	363.1	9.3%
4	Proceeds from Financing	42.6	1.7%	93.2	3.4%	87.0	3.1%	27.7	0.8%	7.9	0.2%
5	CNG Fuel Credit and Investment Income	85.3	3.3%	53.8	2.0%	83.6	3.0%	97.6	2.9%	82.6	2.1%
6	Total Funding Sources	\$2,558.7	100.0%	\$2,725.0	100.0%	\$2,775.2	100.0%	\$3,398.7	100.0%	\$3,905.3	100.0%

(1) Sales tax category includes use of carryover balances.



FY10 Proposed Structural Deficit Mitigations

- **Cost Reductions ***

- Freeze salaries and wages **\$19.3m**

- Restructure Metro Bus service **\$6.5m**

- Reduce non-labor expenses **\$26.7m**

- Defer capital project cash flow **\$82.1m**

\$134.6m

- **Apply one-time revenues** **\$240.0m**

* Savings from Ten-Year Forecast

Bus Operating and Capital Structural Deficit

	(Amount in millions)	FY09 Adopted Budget	FY10 Proposed	Inc/(Dec)
1	Operating Revenue			
2	Fare Revenue	\$269.2	\$269.3	\$0.1
3	Advertising and Special Services	22.2	24.5	2.3
4	Subtotal Operating Revenue	291.4	293.8	2.4
5	Formula Share Revenues			
6	Local	537.3	468.2	(69.1)
7	State	99.0	1.8	(97.2)
8	Federal	150.9	114.2	(36.7)
9	Subtotal Formula Share Revenues	787.2	584.2	(203.0)
10	Non Structural Unique/Grant Programs and Debt			
11	Federal Sec 5309 (CRDP)	1.2	79.7	78.5
12	PC10%	2.9	-	(2.9)
13	Prop 1B Bonds - Union Division	13.5	39.0	25.5
14	Homeland Security	3.0	1.0	(2.0)
15	Prop C 40% for Enterprise Fund Debt Payment	17.0	18.2	1.2
16	Subtotal Non Structural Unique/Grant Programs and Debt	37.6	137.9	100.3
17				
18	"Our Means" - Total Resources	1,116.2	1,015.9	(100.3)
19				
20	Operating and Capital Expenses	1,223.0	1,255.9	32.8 *
21				
22	Structural Deficit	(\$106.9)	(\$240.0)	(\$133.1)

* Expense reductions include over \$134.6 million of operating and capital projects

Bus Structural Deficit Mitigations

	(Amount in millions)	FY09 Adopted Budget	FY10 Proposed	Inc/(Dec)
1	Structural Deficit	(\$106.9)	(\$240.0)	(\$133.1)
2	Gap Filling			
3	Grant			
4	MTA TCRP - Bus Procurement	-	33.6	33.6
5	CMAQ - Bus Procurement	80.7	45.9	(34.8)
6	Stimulus - Bus Rebuilds	-	48.8	48.8
7	Subtotal Grant	80.7	128.3	47.6
8	Board Authorized Miscellaneous			
9	Enterprise Fund Interest	0.5	0.5	-
10	General Funds (CNG Fuel Credits)	23.6	10.2	(13.4)
11	Misc Revs from Legal Settlements, Filming, Fines, etc.	2.1	9.6	7.4
12	Subtotal Board Authorized Miscellaneous	26.2	20.3	(5.9)
13	One Time Revenues			
14	Measure R Revenues (Fare Freeze)	-	32.0	32.0
15	FY08 Metro Surplus from PA40%	-	20.0	20.0
16	A & C Interest Revenues (FAP)	-	39.4	39.4
17	Subtotal One Time Revenues	-	91.4	91.4
18	Total Gap Filling	106.9	240.0	133.1
19				
20	Surplus/(Deficit)	\$0.0	\$0.0	\$0.0

Rail Operating and Capital Gap Filling

	(Amount in millions)	FY09 Adopted Budget	FY10 Proposed	Inc/(Dec)
1	Operating Revenue			
2	Fare Revenue	\$54.1	\$63.1	\$9.0
3	Advertising and Special Services	4.9	6.2	1.2
4	Subtotal Operating Revenue	59.1	69.3	10.3
5	Formula Share Revenues			
6	Local	90.6	68.5	(22.1)
7	State	85.7	-	(85.7)
8	Federal	54.1	37.9	(16.2)
9	Subtotal Formula Share Revenues	230.3	106.4	(124.0)
10	Unique Grant Programs	9.8	39.4	29.6
11	"Our Means" - Total Resources	299.2	215.0	(84.1)
12				
13	Operating and Capital Expenses	309.6	333.6	24.0
14				
15	Structural Deficit	(10.5)	(118.6)	(108.1)
16				
17	Gap Fillings & Board Authorized Miscellaneous			
18	PC40%	10.5	100.5	90.0
19	CMAQ - Rail Operating	-	8.1	8.1
20	FY08 Surplus	-	10.0	10.0
21	Total Gap Fillings & Board Authorized Miscellaneous	10.5	118.6	108.1
22				
23	Surplus/(Deficit)	\$0.0	\$0.0	\$0.0

* Excludes major construction projects

FY10 Proposed Budget Highlights

- **Purchase 219 CNG buses for Metro and contract service providers**
- **Begin revenue operations of Gold Line Eastside Extension LRT**
- **FTEs increase by 48, primarily for Gold Line Eastside Extension pre-revenue operations and Measure R projects**
- **Continue the rail gating and TAP projects**
- **Continue construction of Expo LRT**

FY10 Proposed FTE Changes

	Classifications With Changes in FY10	FTE Chg
1	Administrative Services	
2	Buyer	1
3	Material Inventory Analyst	1
4	Stock Clerk	2
5	Storekeeper	-1
6	Truck Driver/Clerk	-1
7	Administrative Services Total	2
8	Communications	
9	Community Rels Mgr	1
10	Sr Community Rel Officer	1
11	Communications Total	2
12	Construction Proj. Mgmt	
13	Safety Specialist	1
14	Construction Proj Mgmt Total	1
15	Countywide Plng & Dev.	
16	Transp Plng Mgr V	5
17	Transp Planner II	1
18	Transp Planner I	1
19	Countywide Plng & Dev. Total	7
20	Economic Development	
21	EO, Congstn Redctn Initiative	1
22	Systems Project Mgr (Gating)	1
23	Economic Development Total	2
24	Financial Services	
25	Revenue Collector	2
26	Office Assistant	-2
27	Financial Services Total	0

	Classifications With Changes in FY10	FTE Chg
28	Metro Bus Operations	
29	Security Ofcr II	10
30	Transit Security Sgt	2
31	Sr Engineer	1
32	Proj Mgr Facil Ops	1
33	EO, Operations	-1
34	Service Attendant	-5
35	Metro Bus Operations Total	8
36	Metro Rail Operations	
37	Train Operator (F/T)	21
38	Custodian	4
39	Traction Power Inspctr	4
40	CCTV Observer/TCU	3
41	Maint Spclst	2
42	Asst Public Comm Ofcr	1
43	Rail Div Transp Mgr	1
44	Rail Electro Comm Insp	1
45	Rail Transit Ops Supv	1
46	Software Engineer	1
47	Signal Inspector	1
48	Facilities Sys Tech	1
49	Painter	1
50	Dir, Ops Control	-1
51	Facilities Sys Tech Ldr	-1
52	Sr Engineer	-2
53	Metro Rail Operations Total	36
54	Grand Total	58



FY10 New Programs

	(Amount in Millions)	FY10 Proposed	Note
1	Measure R	\$232.3	Measure R FY10 revenue est. at \$361.2 million; with \$128.9 million fund balances by year end
2	Federal ARRA Stimulus Funding	153.2	Incl. \$85 million of I-405 funding, buses, mid-life, traction power substation
3	Prop 1B State Bond	158.0	Incl. \$29.2 million for Union Division, \$12 million for Gating, I-405, Expo II, buses, Canoga Extension
4	Congestion Relief Demonstration (CRDP)	80.7	Incl. I-10, I-110, buses and El Monte
5	Regional TAP Program	12.1	Extends TAP operation to regional municipal operators
6	Total New Programs (Memorandum Only)	\$636.3	

Measure R Receipts, Expenses and Fund Balances

	Measure R Project/Funding	FY10 Estimated Revenue	FY10 Proposed FTE	FY10 Proposed Expense	Est Fund Balance
1	3701 Measure R Administration (1.5%)	\$5,418,726	9.6	\$2,414,958	\$3,003,768
2	3705 Measure R Local Returns (15%)	53,374,446		53,374,000	446
3	3711 Measure R Transit Capital - Metrolink (3%)	10,674,889		10,675,000	(111)
4	3715 Measure R Transit Capital - Metro Rail 2%	7,116,593		-	7,116,593
5	3725 Measure R Rail Ops New (5%)	17,791,482		-	17,791,482
6	3710 Measure R Transit Capital - New Bus and Rail (35%)	124,540,375			
7	Gold Line Foothill LRT Ext		1.0	126,778	
8	W. Santa Ana Branch Corridor Study		1.2	1,074,639	
9	Regional Downtown Connector		6.3	7,767,244	
10	Eastside Extension Phase II		4.7	5,820,416	
11	Exposition Boulevard Light Rail			61,106,757	
12	Green Line Ext To Lax Airport		0.1	204,972	
13	Crenshaw Transit Corridor		5.2	8,121,310	
14	Orange Line Canoga Extension		0.6	82,392	
15	Westside Subway Extension		9.9	11,777,080	
16	San Fernando Valley N/S Rapidways		0.1	471,323	
17	3710 Measure R Transit Capital - New Rail (35%) Total	124,540,375	29.0	96,552,911	27,987,464
18	3716 Measure R Highway Capital (20%)	71,165,928			
19	Alameda Corridor East		0.3	33,318	
20	Countywide Soundwall Construct		3.3	13,880,695	
21	Highway Op Improvement			400,000	
22	I-710 N. Gap Closure		0.4	60,815	
23	I-710 S. Early Action Project			2,000,000	
24	High Desert Corridor II		0.1	404,576	
25	3716 Measure R Highway Capital (20%) Total	71,165,928	4.1	16,779,404	54,386,524
26	3730 Measure R Operations - Bus (20%)	71,165,928			
27	Measure R 20% FAP Subsidies			20,525,000	
28	Backfill for Fare Increase Deferral			32,000,000	
29	3730 Measure R Operations - Bus (20%) Total	71,165,928		52,525,000	18,640,928
30	Grand Total	\$361,248,367	42.7	\$232,321,272	\$128,927,095

* Measure R approved project Expo II is currently proposed to be funded by Prop 1B



Sales Tax Revenue Assumptions

(Dollars in thousands)	FY08 Actuals	FY09 Forecast	% Chg from FY08	FY10 Forecast	% Chg from FY08
1 Prop A	\$683,353	\$649,185	-5%	\$616,726	-10%
2 Prop C	683,530	649,354	-5%	616,886	-10%
3 TDA	340,548	323,521	-5%	307,345	-10%
4 Measure R		-	n/a	361,250	n/a
5 STA	93,861	45,435	-52%	-	-100%
6 Total	\$1,801,292	\$1,667,495		\$1,902,207	

	Measure R Forecast
Forecast Measure R Sales Tax Revenue for FY10	
7 Prop C Forecasted Revenue for FY10 (see above)	\$ 616,886
8 Historical collection ratio for first year of sales tax initiative ⁽¹⁾	58.6%
9 Forecast Measure R Sales Tax Revenue for FY10	\$ 361,250

(1) Historical collection ratio based on actual Prop C revenue collected during first four quarters of existence in FY91.

Impact of Prop A, Prop C and TDA Sales Tax Loss

- **FY10 Prop A, Prop C and TDA sales tax decrease by \$166.5 million over FY08 actual receipts**
- **FY10 FAP funding marks exceed available revenues**
 - **Inadequate Growth over Inflation to pay eligible operators**
 - **\$7 million of Prop C 40% is required to mitigate the loss**
 - **All operators will receive less TDA4 and Prop C 5% Security**
- **Prop A35% loss impacts rail operations and capital projects**
 - **\$22 million of Prop C 40% is required to mitigate the loss**
 - **Deferred rail rehabilitation projects**

Bus and Rail Fare Revenues

	(Amounts in millions, except for Fare Revenue/Boarding)	FY07 Actual	FY08 Actual	FY09 Budget	FY10 Proposed	% Change to FY09
1	Boardings	495.5	474.2	488.3	498.5	2.1%
2	Fare Revenues *	\$283.0	\$328.8	\$325.7	\$332.5	2.1%
3	Fare Revenue/Boarding	\$0.57	\$0.69	\$0.67	\$0.67	0.0%
4	Farebox Recovery Ratio	25.3%	29.0%	26.4%	27.0%	

* Excludes Metrolink Route

Change in Bus Revenue Service Hours

- Systemwide seat capacity increases by 1% due to procurement of larger buses

	RSH
1 FY09 Bus Revenue Service Hours (RSH)	7,719,204
2 Direct Operated RSH	
3 Increased Hub Mile Efficiency (12 mos.)	(26,702)
4 Trip Thinning (6 mos.)	(35,000)
5 Service Efficiency (6 mos.)	(60,000)
6 Total Change to Direct Operated RSH	(121,702)
7 Contract Service Modifications	2,170
8	
9 Total Changes	(119,532)
10	
11 FY10 RSH	7,599,672

Rail Revenue Service Hours

	Mode	FY09 Budget	FY10 Proposed	Inc/(Dec)
1	Rail			
2	Blue Line	224,373	221,473	(2,900)
3	Green Line	87,741	87,741	-
4	Gold Line	82,515	139,701	57,186
5	Heavy Rail	269,123	257,128	(11,995)
6	Total Rail	663,752	706,043	42,291

Board Authorization Requested

- **Adopt FY10 budget as described in the Proposed Budget Book (Item A through E)**
- **Amend the Proposed Budget for the followings:**
 - F. Add one FTE to the Office of the CEO**
 - G. Add 29,570 RSH to Rail Operations**
 - H. Reduce the Expo 1 project budget by \$16.2 million and reduce the Expo 2 project budget by \$67.6 million**

Board Authorization Requested – Cont'd

- I. Add \$0.35 million of revenue and expense to Gold Line Eastside Extension for operations of the grade crossing photo enforcement equipment
- J. Increase the Enterprise Fund expenses and revenues by \$1.6 million for sustainability projects
- K. Add \$13.4 million for electrification of CNG fueling stations
- L. Add \$1.1 million for Division 21 Rockfall Mitigation

Budget Risks

- **Economy**
- **State Budget – Prop 1B**
- **Union Negotiations**
- **Bus Revenue Service Restructuring**

Discussion